Canadian Manoir

INDUSTRIES LIMITED

Annual Report 1975

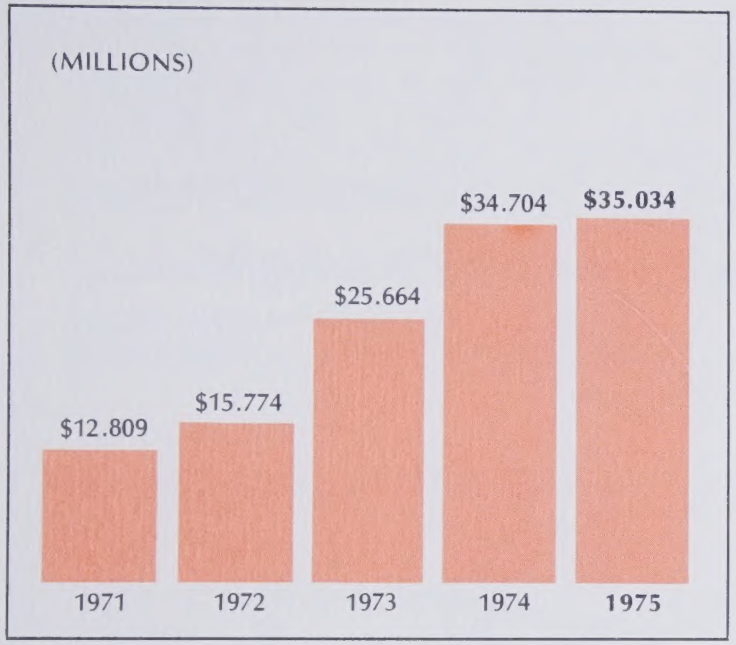
Five-year statistical review

	1971	1972	1973	1974	1975
Revenue	$12,808,707	$15,774,390	$25,664,024	$34,704,345	**$35,033,791**
Net Income	819,125	966,768	1,549,007	2,332,304	**2,635,693**
Earnings Per Share	50¢	59¢	94¢	1.41	**1.59**
Total Assets	5,941,200	6,242,129	12,675,328	15,706,102	**20,103,662**
Working Capital	2,452,439	2,833,820	3,792,839	5,250,736	**6,039,153**
Tangible Equity Per Share	1.74	2.33	2.74	3.95	**5.28**

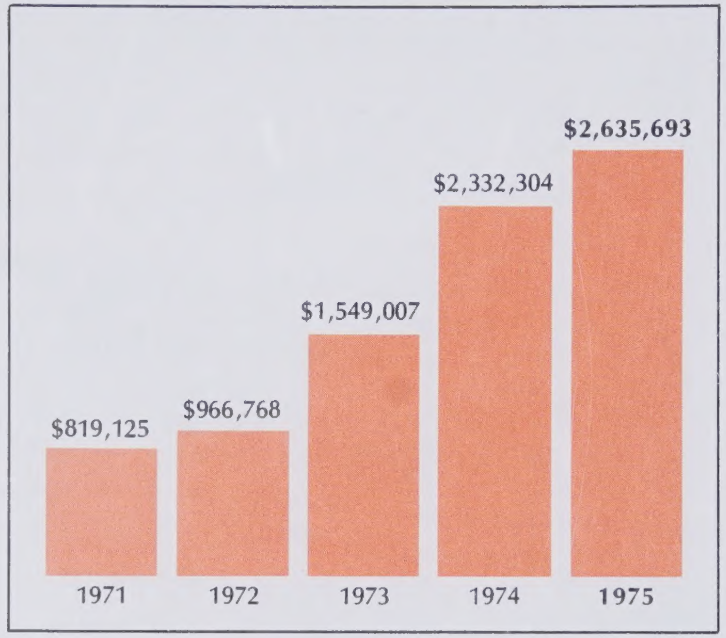
Highlights

	UP	FROM	TO
Revenue	0.9%	$34,704,345	**$35,033,791**
Net Income	13.0%	2,332,304	**2,635,693**
Working Capital	15.0%	5,250,736	**6,039,153**
Earnings Per Share	12.8%	1.41	**1.59**
Tangible Equity Per Share	33.7%	3.95	**5.28**

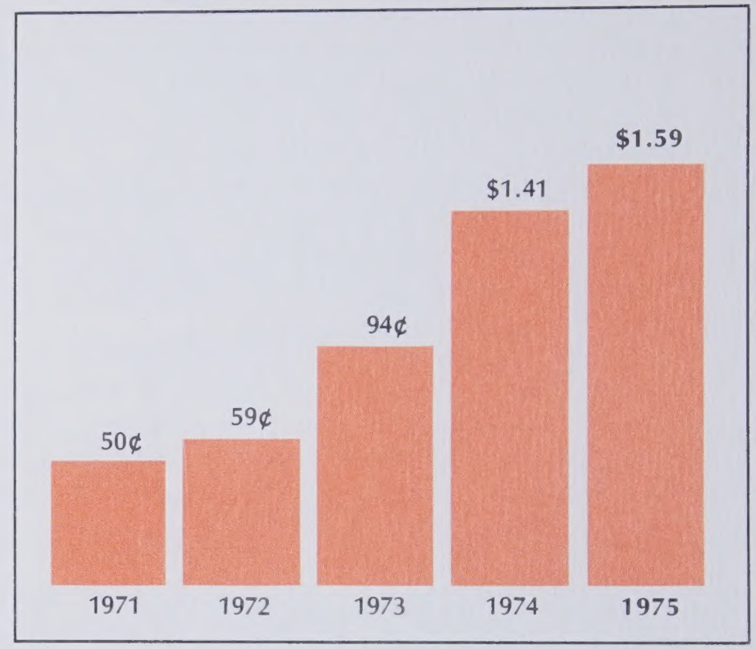
Revenue



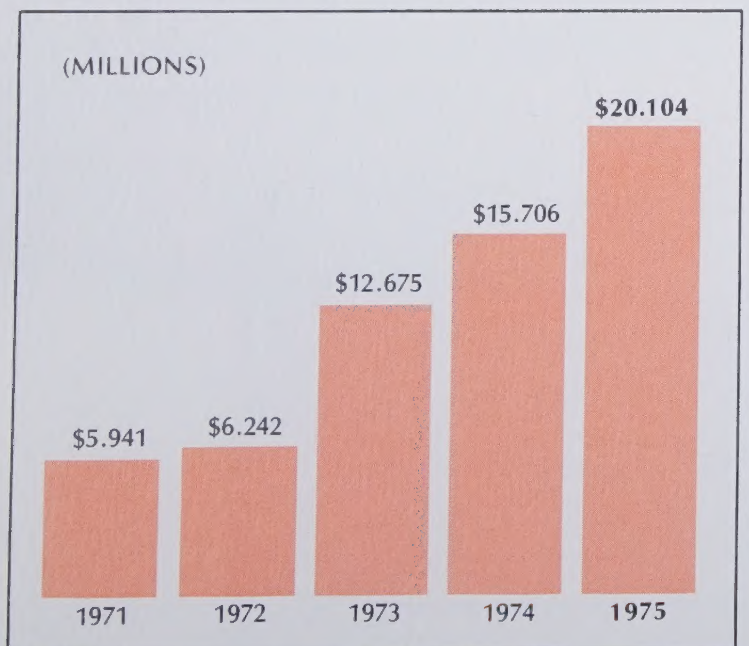
Net Income



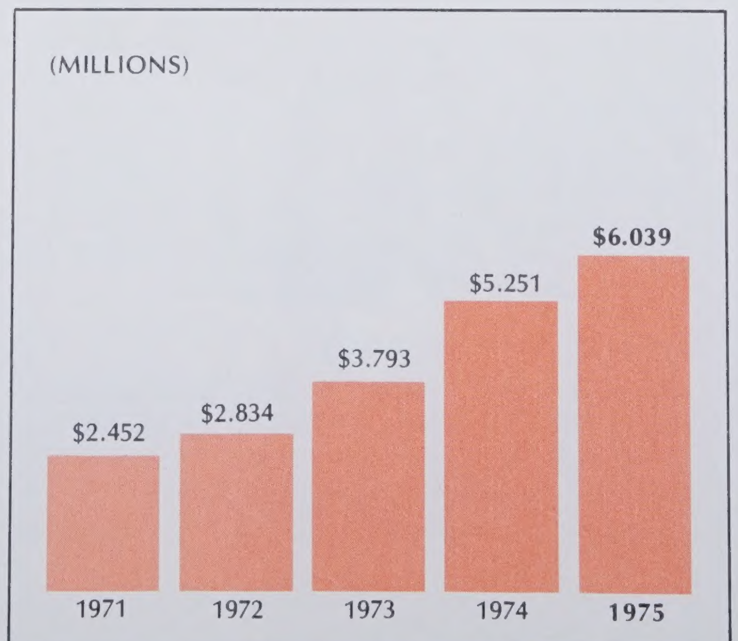
Earnings Per Share



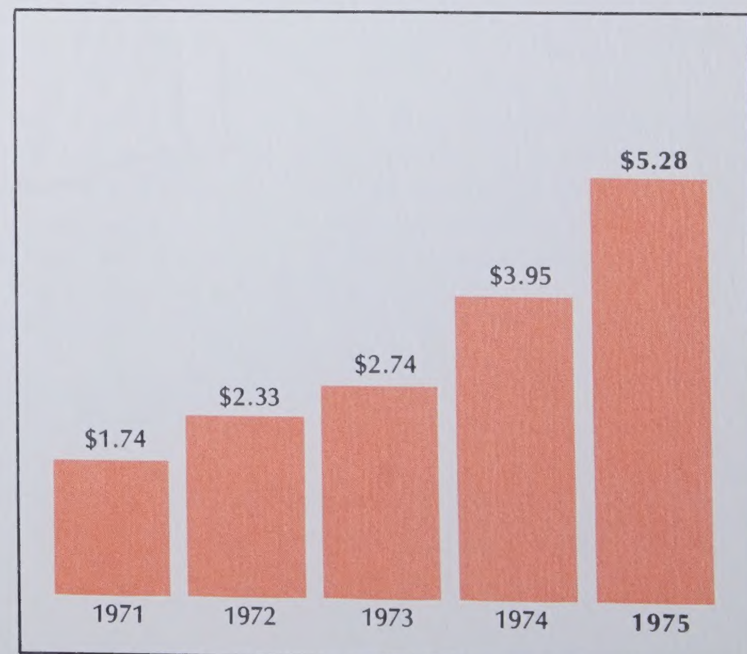
Total Assets



Working Capital



Tangible Equity Per Share



President's letter

1975 was another successful year for our group of companies. Although our growth was not as dramatic as in past years we are particularly pleased with our results as they were achieved in a difficult environment.

1975 was the seventh consecutive year in which our group attained record levels of revenue and net income. All subsidiaries and divisions were profitable. Highlights are shown on a preceding page.

The group's working capital improved from $5,250,736 to $6,039,153 in 1975, an increase of 15%. In this connection, our long-term investment in Toromont Industries Ltd. of $2,094,316 was financed to the extent of $830,816 from internally generated cash flow and an increase in long-term debt of $1,263,500.

Return on sales as a percentage of dollar revenue increased from 6.7 to 7.5%. This gratifying improvement reflects the benefits derived from our capital investment program.

MANUFACTURING

During 1975, the expanded production facilities of General Freezer in Woodbridge came on stream. This has allowed us to increase production of home freezers and permitted the introduction of a new product—an air-dryer (the industry term for this product is a de-humidifier). Response from our customers has greatly exceeded our expectations. Initially, this will not significantly affect our results, however we anticipate that this product has good growth potential for us.

The furnace companies have benefited from management reorganization undertaken during the year.

One product which has proven successful this year is a combination furnace produced by Duo-Matic. This furnace burns wood, coal, oil, or other combustible material and has proven popular in rural areas. Manoir International Inc. started marketing this product late in the year in the United States and we are enthusiastic about its market potential.

TRADING

Due to reduced consumer spending our trading activities were not as buoyant in 1975 as in the prior year. Sales of compressors were affected by the reduced sales of major appliances other than freezers. Maso Import, an importer of giftware and novelties experienced a slight decline in volume due to a lower level of retail sales for this type of specialty merchandise.

SERVICE

This group is active in two areas, the largest being television film services and the smaller a sound recording studio. Our television operation has offices in Toronto, Montreal, Vancouver, New York, Chicago and Los Angeles and all are engaged in rendering services in connection with television commercials to advertising agencies and national advertisers. Our sound recording facilities in Toronto are among the most sophisticated and technologically advanced in North America. In 1975 the service group maintained its contribution to the net income of the overall group.

LONG-TERM INVESTMENT

As you may be aware, we acquired approximately 700,000 shares of Toromont Industries Ltd. during the year at an average cost of $2.97 per share. This represents a 15% interest in that company. At December 31, 1975 the quoted market value of a share of Toromont Industries Ltd. was $2.20: we do not believe that the quoted market value is necessarily indicative of the per share value of a block such as our Company holds and we are presently of the opinion that the value of our investment is not impaired.

OUTLOOK

The outlook for 1976 is good. We believe that the growth pattern of previous years will be maintained.

Pat Clever

Toronto, Ontario
March 3, 1976.

Consolidated Statement of Income

For the year ended December 31, 1975
(with comparative figures for the preceding year)

	1975	1974
REVENUE FROM SALES AND SERVICES (Note 7)	$35,033,791	$34,704,345
COST OF SALES AND SERVICES	25,597,806	25,748,460
Gross profit	$ 9,435,985	$ 8,955,885
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 8)	4,675,514	4,455,312
Income before provision for income taxes	$ 4,760,471	$ 4,500,573
PROVISION FOR INCOME TAXES (Note 1)	2,124,778	2,168,269
Net income for the year	$ 2,635,693	$ 2,332,304
EARNINGS PER SHARE (Note 1)	$1.59	$1.41

The accompanying notes to consolidated financial statements are an integral part of this statement.

Auditors' Report

To the Shareholders of
Canadian Manoir Industries Limited:

We have examined the consolidated balance sheet of CANADIAN MANOIR INDUSTRIES LIMITED (a Canada corporation) AND SUBSIDIARIES as of December 31, 1975, and the related consolidated statements of income, shareholders' equity and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have previously examined and reported on the consolidated financial statements for the preceding year.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Canadian Manoir Industries Limited and Subsidiaries as of December 31, 1975, and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Signed: ARTHUR ANDERSEN & CO.
CHARTERED ACCOUNTANTS

Toronto, Ontario
February 13, 1976.

CANADIAN MANOIR INDUSTRIES LIMITED
and subsidiaries

Consolidated Balance Sheet

December 31, 1975
(with comparative figures for the preceding year)

Assets

	1975	1974
CURRENT ASSETS:		
Cash and deposit receipts	$ 510,704	$ 757,061
Receivables (Note 3)	6,537,550	4,268,206
Inventories (Notes 1 and 3)	7,542,524	8,014,152
Prepaid expenses	167,402	113,801
Total current assets	$14,758,180	$13,153,220
LONG-TERM INVESTMENT in Toromont Industries Ltd., at cost (Note 2)	$ 2,094,316	$ —
PROPERTY, PLANT AND EQUIPMENT, at cost: (Notes 3 and 4)		
Land	$ 90,745	$ 90,745
Buildings	2,456,316	1,869,007
Equipment	2,875,795	2,463,420
Leasehold improvements	349,148	338,111
	$ 5,772,004	$ 4,761,283
Less—Accumulated depreciation and amortization (Note 1)	2,520,838	2,208,401
	$ 3,251,166	$ 2,552,882
	$20,103,662	$15,706,102

Approved on behalf of the Board:
(Signed) Pat Clever, Director
(Signed) D. L. Sinclair, Director

Liabilities

	1975	1974
CURRENT LIABILITIES:		
Bank advances (Note 3)	$ 742,628	$ 2,116,122
Payables and accrued liabilities	6,618,292	4,511,409
Income taxes (Note 1)	684,107	850,953
Current portion of long-term debt (Note 4)	674,000	424,000
Total current liabilities	$ 8,719,027	$ 7,902,484
LONG-TERM DEBT, less current portion included above (Notes 3 and 4)	2,415,500	1,152,000
DEFERRED INCOME TAXES (Note 1)	212,250	127,200
SHAREHOLDERS' EQUITY, per accompanying statement	8,756,885	6,524,418
	$20,103,662	$15,706,102
Tangible equity per issued common share	$5.28	$3.95

The accompanying notes to consolidated financial statements are an integral part of this balance sheet.

Consolidated Statement of Shareholders' Equity

For the year ended December 31, 1975
(with comparative figures for the preceding year)

	1975	1974
CAPITAL STOCK (Note 6):		
Authorized — 3,000,000 common shares, par value $1.00 each		
Issued — 1,657,080 (1,653,280 in 1974) shares	$1,657,080	$1,653,280
CONTRIBUTED SURPLUS:		
Balance, beginning of year	$ 83,174	$ 80,924
Add — Excess of issue price over par value of common shares (Note 6)	4,750	2,250
Balance, end of year	$ 87,924	$ 83,174
RETAINED EARNINGS:		
Balance, beginning of year	$4,787,964	$2,786,258
Add —		
Net income for the year	$2,635,693	$2,332,304
Deduct —		
Tax-paid dividends of 20¢ per share (1974 — 17¢)	$ 331,166	$ 281,008
Tax paid on portion of 1971 undistributed income on hand of the Company and certain subsidiaries	80,610	49,590
	$ 411,776	$ 330,598
Balance, end of year (Note 5)	$7,011,881	$4,787,964
SHAREHOLDERS' EQUITY	$8,756,885	$6,524,418

The accompanying notes to consolidated financial statements are an integral part of this statement.

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1975
(with comparative figures for the preceding year)

	1975	1974
WORKING CAPITAL, beginning of year	$5,250,736	$3,792,839
SOURCE OF FUNDS:		
Operations —		
Net income for the year	$2,635,693	$2,332,304
Charges not requiring an outlay of funds —		
Depreciation and amortization	333,287	308,800
Increase in deferred income taxes	85,050	28,991
	$3,054,030	$2,670,095
Issue of common shares (Note 6)	8,550	4,050
Increase in long-term debt	1,263,500	—
	$4,326,080	$2,674,145
APPLICATION OF FUNDS:		
Investment in shares of Toromont Industries Ltd., net (Note 2)	$2,094,316	$ —
Additions to property, plant and equipment, net	1,031,571	461,650
Decrease in long-term debt	—	424,000
Tax-paid dividends	331,166	281,008
Tax paid on portion of 1971 undistributed income on hand of the Company and certain subsidiaries	80,610	49,590
	$3,537,663	$1,216,248
Increase in working capital	$ 788,417	$1,457,897
WORKING CAPITAL, end of year	$6,039,153	$5,250,736

The accompanying notes to consolidated financial statements are an integral part of this statement.

CANADIAN MANOIR INDUSTRIES LIMITED
and subsidiaries

Notes

TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1975

1. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

(a) Principles of Consolidation

(i) The financial statements of Canadian Manoir Industries Limited (the "Company") as of December 31, 1975, are consolidated with those of its subsidiaries:

Companies	Divisions
Manufacturing	
Duo-Heet Distributors Limited	Duo-Matic Divison of General Freezer Limited
General Freezer Limited	
Ideal ABC Limited	
W. H. Olsen Manufacturing Company Limited	
Trading	
Kates International Corporation Ltd.	
Manoir International, Inc.	
Manoir International (Canada) Ltd. (formerly Mouton Processors Limited)	
Maso Import Ltd.	
Service	
Atlas Customs Brokers Limited	Comprehensive Distributors Division of Canadian Manoir Industries Limited
Eastern Sound Company Limited	
Teleprint of Chicago, Inc.	
Teleprint of Los Angeles, Inc.	
Teleprint of New York, Inc.	

(ii) All significant inter-company transactions have been eliminated in the consolidated financial statements.

(iii) Translation of the accounts of U.S. subsidiaries both during the year and at December 31, 1975, was made at par.

(b) Inventories

Inventories are valued at the lower of first-in, first-out cost or net realizable value.

(c) Depreciation and Amortization

Provisions for depreciation are determined on either the straight-line basis or declining balance basis over the expected average useful lives of the asset groups. Leasehold improvements are amortized on a straight-line basis over the terms of the respective leases.

(d) Acquisitions

Acquisitions are accounted for by the purchase method of accounting. Goodwill, the excess cost over the fair value, as determined by the Directors, of the net tangible assets acquired, has been charged to Retained Earnings in the years in which acquisitions were made.

(e) Income Taxes

Income taxes are provided for on the basis of accounting income and timing differences between accounting income and taxable income are reflected in Deferred Income Taxes. The Company accrues for withholding tax on foreign income as earned.

(f) Contingent Claims Receivable

Receivables on contingent claims are recognized only when the amounts of such claims have been confirmed.

(g) Earnings per Share

The earnings per share calculations are based on the weighted average of common shares outstanding at the end of each month during the year. The dilutive effect on earnings per share of stock options outstanding is immaterial.

2. LONG-TERM INVESTMENT

As of December 31, 1975, the Company owned 704,200 common shares of Toromont Industries Ltd., representing a 15.5% interest, at a net cost of $2,094,316 ($2.97 cost per share). The quoted market value as of December 31, 1975, was $2.20 per share and as of February 13, 1976, was $2.31 per share. The shares have been pledged as security for the $1,937,500 bank loan referred to in Note 4.

The Company has a $3,600,000 stand-by line of credit available until December 31, 1976, to be used at the discretion of Company management for the purchase of additional shares of Toromont Industries Ltd.

3. BANK ADVANCES

The Company's operating line of credit of $3,750,000 and its long-term bank loans are secured by certain accounts receivable and inventories and a first floating charge debenture of $6,000,000 covering all of the assets and property of the Company and certain of its subsidiaries. The Company has also agreed to execute and deliver a floating charge debenture of $1,200,000 covering certain other subsidiaries. In addition, the Company has agreed not to hypothecate the property, plant and equipment of the Company and certain of its subsidiaries without formal approval of the bank.

4. LONG-TERM DEBT

Payable by the Company:	
Bank loans —	
Bearing interest at 2% in excess of prime bank rate, repayable in quarterly instalments of $62,500	$1,937,500
Bearing interest at 1½% in excess of prime bank rate, repayable in quarterly instalments of $88,000	968,000
Bearing interest at 1¼% in excess of prime bank rate, repayable in quarterly instalments of $12,000	132,000
	$3,037,500
Payable by a Subsidiary:	
8.9% Loan from Federal Business Development Bank, payable in monthly instalments of $2,000 plus interest, due 1978	52,000
	$3,089,500
Less — Current portion payable within one year	674,000
	$2,415,500

The loan from the Federal Business Development Bank is secured by certain assets of a subsidiary.

5. DIVIDEND RESTRICTIONS

In accordance with the Anti-Inflation Act Regulations, the Company is restricted to maximum dividend payments totalling 35.1¢ per share, or 29.9¢ per share on a tax-paid basis, during the year ending October 13, 1976. On December 30, 1975, the Company paid a tax-paid dividend of 5¢ per share.

6. EMPLOYEE BENEFIT PLANS

(a) Stock Option Plan

As of December 31, 1975, 15,000 common shares (8,000 at $2.25 per share and 7,000 at $3.60 per share) were reserved under a stock option plan for certain officers and employees of the Company and its subsidiaries. During 1975, 3,800 optioned shares were issued for a cash consideration of $8,550 and a total of 900 optioned shares were cancelled. When options are exercised, amounts received in excess of the par value of the common shares are credited to Contributed Surplus.

(b) Retirement Plan

The Company has a contributory retirement plan for certain officers and employees of the Company and its subsidiaries. $30,509 has been provided in 1975 for the current cost of the plan. As of December 31, 1975, there is no unfunded past service liability with respect to the plan.

7. REVENUE

Consolidated revenue is divided in the following proportions:

Manufacturing	62%
Trading	30
Service	8
	100%

8. STATUTORY INFORMATION

The following items have been included in Selling, General and Administrative Expenses:

Interest:	
Long-term debt	$255,508
Other, net	119,229
	$374,737
Depreciation and amortization	$333,287

Remuneration of Directors and Officers:

As Directors		As Officers	
Number	Remuneration	Number	Remuneration
5	$12,225	3	$133,833

Two Officers were also Directors of the Company.

Canadian Manoir
INDUSTRIES LIMITED

DIRECTORS
S. G. Bickley Montreal
J. S. Bull Toronto
Pat Clever Toronto
G. Grahamslaw Toronto
D. L. Sinclair Toronto

OFFICERS
Pat Clever President
G. D. Scroggie Secretary
G. Grahamslaw Treasurer

ANNUAL GENERAL MEETING
The Annual General Meeting will be held in the Library Room of the Royal York Hotel, Toronto, at 4:00 p.m. on Monday, May 3, 1976.

BANKERS
Toronto Dominion Bank Toronto
Chase Manhattan Bank New York

REGISTRAR
Canada Permanent Trust Company Toronto

TRANSFER AGENT
Canada Permanent Trust Company Toronto

LAWYERS
Fraser & Beatty Toronto
Byers, Casgrain & Stewart Montreal
Guggenheimer & Untermyer New York

AUDITORS
Arthur Andersen & Co. Toronto

SHARE LISTING
The common shares of the Company are listed on the Toronto Stock Exchange.

HEAD OFFICE: 2 Glengrove Ave. West, Toronto M4R 1N4 (416) 487-5363